

I urge the denial of AT&T's request to be able to abandon its wire-line phone business and to discontinue USF for phone service entirely. The fact is some consumers in the country still depend on wire-line telephone service and will continue to do so especially if they have an alarm system in their home. We need consumer choice in fixed broadband and phone lines to be protected. Don't let AT&T and Verizon get out leaving entire market to big cable.

In a historic public response to the US Federal Communications Commission's request for comments regarding its forthcoming National Broadband Plan, which was due before Congress on February 17 2009, AT&T acknowledged not the forthcoming obsolescence, but the current obsolescence of the wireline telephone system. Without shame, it even applied the once-degrading acronym "POTS" (Plain Old Telephone System), interchangeably with "PSTN" (Public Switched Telephone Network), to refer to the one-time marvel of technology that defined its predecessor, the Bell System, in the 20th century.

But the new AT&T went a huge step further than to denigrate its stepchild. In its filing dated December 21 and released Tuesday (PDF available [here](#)), the company called upon the Commission to begin consideration of a formal deadline for the transition of all wireline customers to a wireless system comprising broadband and IP-based connectivity -- refraining from referring to 3G or 4G services in a cellular context. AT&T's reasoning: Carriers can no longer afford to maintain the old network while simultaneously building out the new one.

"It is accordingly crucial that the Commission pursue forward-looking regulatory policies that remove disincentives to private investment and encourage operators to extend broadband to unserved areas," writes AT&T's

attorneys. "Any such forward-looking policy must enable a shift in investment from the legacy PSTN to newly deployed broadband infrastructure.

While broadband usage -- and the importance of broadband to Americans' lives -- is growing every day, the business model for legacy phone services is in a death spiral. Revenues from POTS are plummeting as customers cut their landlines in favor of the convenience and advanced features of wireless and VoIP services. At the same time, due to the high fixed costs of providing POTS, every customer who abandons this service raises the average cost-per-line to serve the remaining customers. With an outdated product, falling revenues, and rising costs, the POTS business is unsustainable for the long run. Yet a web of federal and state regulations has the cumulative effect of prolonging, unnecessarily, the life of POTS and the PSTN."

AT&T's arguments appear to have been intentionally designed to mirror those made by broadcasters during the early debate over the high-definition transition. While at the same time maintaining that

only private investment in private services could make high-quality HDTV service possible for Americans, broadcasters looked to both Congress and the FCC to set the hard deadline that would serve as the ultimate incentive for affiliate stations to make their investments in the high-def transition.

After a few delays, that transition ended up successful and without serious incident. Now, AT&T points to the need for a similar transition plan for wireline phone, calling POTS and PSTN "relics of a by-gone era."

"The business model that sustained circuit-switched voice service over the last century is dying. For decades, POTS was the primary if not the exclusive option for voice communications, and nearly all households subscribed," reads AT&T's filing. "But in recent years technological change and market forces have made POTS and the PSTN increasingly obsolete. Those same forces make a full transition to broadband inevitable."

The big problem: Although two-thirds of Americans now subscribe to some kind of broadband plan, service remains unavailable to as much as 10% of the country, according to research AT&T cited. Among those households, way too many have chosen not to subscribe -- a problem only a forced transition would solve.

AT&T credited the success of Skype and Vonage as having driven up subscriptions to VoIP service, which it now believes to be 18 million subscribers -- a number that it believes could triple in just two years' time. But the phenomenal statistics cited by AT&T do not end there:

"In view of the range of alternatives for voice service -- many of which offer distinct advantages over traditional landline service -- it is not surprising that the POTS business model is in a precipitous decline. The numbers speak for themselves. Today, less than 20% of Americans rely exclusively on POTS for voice service. Approximately 25% of households have abandoned POTS altogether, and another 700,000 lines are being cut every month. From 2000 to 2008, the number of residential switched access lines has fallen by almost half, from 139 million to 75 million. Non-primary residential lines have fallen by 62% over the same period; with the rise of broadband, few customers still need a second phone line for dial-up Internet service. Total interstate and intrastate switched access minutes have fallen by a staggering 42% from 2000 through 2008. Indeed, perhaps the clearest sign of the transformation away from POTS and towards a broadband future is that there are probably now more broadband connections than telephone lines in the United States. And the customers who keep POTS are using it less. Wireless phones, e-mail, instant messaging, blogs, and social networking sites have greatly reduced the need for legacy voice services, even for customers who retain POTS service. Between 2000 and 2008, aggregate switched access minutes per line declined by 13.2%."

The carriers of legacy local exchanges are being forced to maintain two networks, one of which customers are clearly turning their backs on, says AT&T. But the company also acknowledges that transition doesn't mean simply shutting the old service off, because while customers may be breaking their old reliances on wireline, the laws of the states and municipalities that receive tax revenue from communications, remain intact. AT&T foresees the potential technological benefits from eliminating the need to distinguish between a "local call" and a "long-distance call" -- any VoIP call can take any route all over the world. With federal bans already in existence on Internet taxation, and with the FCC already being on record as favoring the competitive, relatively regulation-free environment surrounding VoIP -- citing its 2004 order declaring Vonage free from Minnesota state regulations -- there are clear benefits for AT&T, Verizon, and their brethren in adopting broadband.

But in its filing, AT&T urged the FCC to assert regulatory authority over Internet services, in order to preserve that more nationalized, simplified scheme: "Despite Congress's express admonition that implicit subsidies should be eliminated and replaced with explicit universal service funding mechanisms, implicit subsidies remain endemic in today's communications marketplace, particularly in the inter-carrier compensation regime, distorting competition and creating numerous opportunities for arbitrage."

Recognizing what Vonage has been saying for years, AT&T noted the following: As long as voice service is treated by the FCC as just another Internet application ("JAIA?"), and as long as the Commission holds fast to its view that providers of Internet service should not be regulated by anyone -- themselves, Congress, or the FCC -- on account of applications (the definition of "net neutrality" as defined by FCC Chairman Julius Genachowski), then a new regulatory "morass" (borrowing AT&T's term) on the order of the existing one would have to be completely reinvented from scratch. And who would want to do that?

By diverting the theme of its filing toward the elimination of regulatory red tape, AT&T skillfully avoided addressing what could, and perhaps should, have been the central point of the filing: projecting a timeline for the prospective POTS shutoff date. The year 2020? 2030? At this point, we have no clue -- the company leaves that ball in the Commission's court. This way, deployment delays (more of a problem historically for AT&T than Verizon) will be less to blame for late rollouts, than the unraveling of government bureaucracies. But simply by raising the subject, the FCC may have no choice at this point but to paint some sort of brushstroke, even if it's a broad one.

In the meantime, it's noteworthy that AT&T points to broadband and VoIP -- not even its own 4G LTE service -- as the network that will be servicing America's voice traffic once the country's wirelines are finally shut down.